STATE review(s) completed.

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adds that Stikker is seeking a compromise because of his earnest desire to do everything possible to resolve the present disagreement and because of repeated requests by the French Government that he attempt to find some compromise.

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## FAR EAST

4. INDOCHINA: French attitude toward Vietnamese—US Minister Heath in Saigon reports there is "increased strain" in French-Vietnamese relations as a result of the "rather curious" attitude toward the Vietnamese of Minister for the Associated States Letourneau during his visit to Indochina. As an example, Heath cites Letourneau's blunt remarks in the presence of the Vietnamese regarding their financial incompetence and lack of civic responsibility. As further evidence of the lack of "rapport" between the French and Vietnamese, Heath quotes General Valluy, Inspector General of Colonial Troops, as advocating the abandonment of France's "military-political formula," aimed at instilling widespread loyalty among the Vietnamese for the Bao Dai Government, in favor of a purely military campaign.

(CIA Comment: CIA believes that active participation of the Vietnamese is an essential factor in the defense of Indochina and that their support can be won only by further political concessions by the French.)